

## Message Text

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ORIGIN EB-07

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DRAFTED BY EB/IFD/OIA:DHSTEBBING

APPROVED BY EB/IFD/OIA:RJSMITH

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R 051518Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY ADDIS ABABA

C O N F I D E N T I A L STATE 048849

E.O. 11652: GDS

TAGS:EINV, ET

SUBJECT:ETHIOPIAN SPICE NATIONALIZATION

REF: ADDIS 2444

1. ETHIOPIAN SPICE MANAGER KARL SANDELIN AND LOCAL ATTORNEY MET WITH DEPT OFFS MARCH 3 TO DISCUSS ETHIOPIAN SPICE NATIONALIZATION. IMMEDIATE PROBLEM FACING COMPANY, ACCORDING TO SANDELIN, IS THAT EPMG IS DELAYING EXPORTS UNTIL KALAMAZOO SPICE (KS) PAYS ETHIOPIAN SPICE DOLS 450,000 NOW DUE FOR PAST SHIPMENTS; AND ADDITIONAL DOLS 800,000 WILL SOON FALL DUE. SANDELIN SAID A PRIMARY KS OBJECTIVE IS TO MAINTAIN OPERATIONS OF ETHIOPIAN SPICE, THE SOURCE OF HALF ITS RAW MATERIALS. FOR THE INTERIM, KS WISHES TO RETAIN THE DOLS 1,250,000 OWED PENDING AGREEMENT ON COMPENSATION FOR NATIONALIZATION, AND KS WILL SEEK TO PAY FOR NEW EXPORTS ON A CASH AND CARRY BASIS. FOR THE LONGER RUN, KS WISHES TO SELL ITS ENTIRE PARTICIPATION IN ETHIOPIAN SPICES AND TO NEGOTIATE AN EXCLUSIVE SUPPLY CONTRACT.

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2. KS REPS SOUGHT ADVICE ON HOW TO PROCEED IN CONTACTS WITH THE EPMG AND ANY OTHER ASSISTANCE DEPT/EMBASSY MIGHT GIVE. SANDELIN STATED THAT AMONG THE RECENTLY APPOINTED ETHIOPIAN DIRECTORS, TEFAYE DINKA HAD BEEN TROUBLESOME AS A PRIVATE DIRECTOR, AND MULUGETA BEZABEH, BY HIS INFOR-

MATION, IS A MOSCOW-TRAINED SOCIALIST. FURTHER, SANDELIN EXPRESSED THE FEAR THAT IN THE PRESENT UNCERTAIN ATMOSPHERE EPMG OFFICIALS OR APPOINTEES MAY BE UNWILLING TO TAKE DECISIONS FOR WHICH THEY MIGHT BE CRITICIZED LATER. THUS, DESPITE KS WILLINGNESS TO WORK OUT SOLUTIONS, PROGRESS MAY BE DIFFICULT AND EXPORTS COULD BE HELD UP FOR A CONSIDERABLE LENGTH OF TIME. KS HAS ADEQUATE STOCKS FOR THE TIME BEING. THE DANGER IS THAT ETHIOPIAN SPICES IS SHORT OF CASH AND MUST EXPORT TO SURVIVE.

3. WE INFORMED KS REPS OF THE REPRESENTATIONS MADE FEBRUARY 28 (REFTEL) AND ASSURED THEM OF USG WILLINGNESS TO DO WHAT IS POSSIBLE TO FACILITATE FORWARD MOVEMENT IN THE ETHIOPIAN SPICE AND OTHER NATIONALIZATION CASES. WE WOULD NOT BE SURPRISED IF SANDELIN PROVES CORRECT IN HIS EXPECTATION THAT THE ETHIOPIAN DIRECTORS AND EPMG OFFICIALS WILL BE RELUCTANT TO MAKE PRACTICAL DECISIONS AFFECTING THE COMPANY. WE LEAVE TO YOUR JUDGEMENT THE BEST USE OF SUITABLE OPPORTUNITIES TO POINT OUT TO EPMG ETHIOPIA'S INTEREST IN WORKING OUT WITH AFFECTED FIRMS EQUITABLE ARRANGEMENTS FOR CONTINUED OPERATIONS AS WELL AS FAIR COMPENSATION FOR NATIONALIZATION. KISSINGER

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